

ING International Trade Study

Developments in global trade: from 1995 to 2017



Bulgaria

Executive summary

Bulgaria is expected to grow on average 1.3% in the coming years. This is relatively low compared to the average of other Central and Eastern European countries and also relatively low compared to the global average of 3.7%. Because of its own economic growth and that of its main trading partners, Bulgaria's exports are expected to grow 12% annually to US\$ 56 bn in 2017, making Bulgaria the 51st largest exporter worldwide. Similarly, import demand will grow with an average of 10% per year to US\$ 57 bn in 2017, meaning that Bulgaria will take the 52nd position on the global list of largest importers. By 2017, Bulgaria will mainly import fuels, office telecom & electrical equipment and ores & metals, which together account for 38% of total imports of Bulgaria. Similarly, Bulgaria's exports will mainly consist of ores & metals, basic food and textiles (including fibers, yarn and products). Together these products will represent 51% of total exports in 2017. By 2017, Bulgaria will mainly import products from Russia, Germany and Turkey, which together account for 38% of total imports of Bulgaria. Bulgaria's main export markets will be Germany, Italy and Turkey. Together these countries will account for 51% of total exports in 2017.

About the International Trade Study by ING

The ING International Trade Study aims to help ING's (inter)national clients develop their knowledge and capabilities for doing business across borders, and to contribute to the public debate on internationalization. We do this by generating valuable insights on the current and future economic trends and international trade developments worldwide.

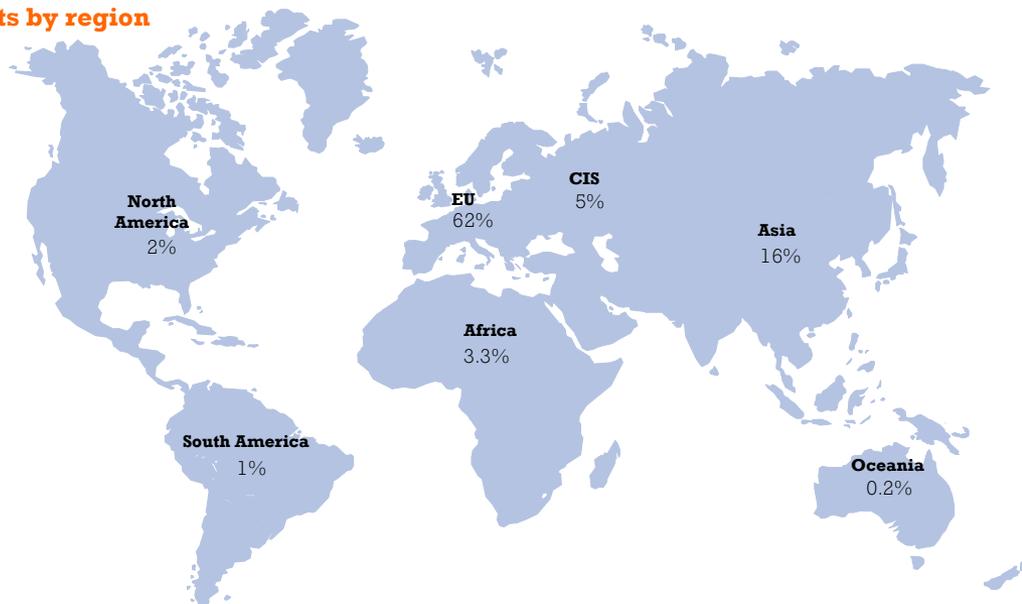
This report is part of a series of ING 2012 International Trade Study reports, which includes forecasts for 60 different country and 13 product group reports. These reports document trade developments over the past years and the ING forecasts (2012-2017) for future international trade patterns and business opportunities, by partner country and export product. These forecasts are derived from a model specifically developed by the ING Economics Bureau (see also Methodology), and complemented with the in-depth knowledge of ING economists in our offices around the world.

International Trade

Bulgaria

2011

Exports by region



Exports (bn) \$28 Imports (bn) \$32 Trade balance (bn) -\$4.33 Exports % of GDP 53%

Trade by products (bn)

Food & live animals

 Exports	\$2.55
Imports	\$2.46

Crude materials, inedible, except fuels

 Exports	\$2.82
Imports	\$3.73

Machinery & Transport equipment

 Exports	\$4.60
Imports	\$7.26

Beverage & Tobacco

 Exports	\$0.56
Imports	\$0.43

Manufactured goods

 Exports	\$6.92
Imports	\$5.52

Mineral fuels

 Exports	\$3.83
Imports	\$6.42

Animal and vegetable oils

 Exports	\$0.21
Imports	\$0.15

Miscellaneous manufactured articles

 Exports	\$3.86
Imports	\$2.10

Chemicals

 Exports	\$2.08
Imports	\$3.72

Economy

	2012F	2013F	2014F
GDP growth (real):	0.6%	1.2%	2.1%
GDP nominal (bn):	\$ 51	\$ 51	\$ 58
Exchange rate* EUR/BGN	1.96	1.96	1.96
Inflation:	2.9%	3.1%	3.3%
GDP composition by sector	2010		
Agriculture:	5.4%		
Industry:	31.4%		
Services:	63.3%		

Population

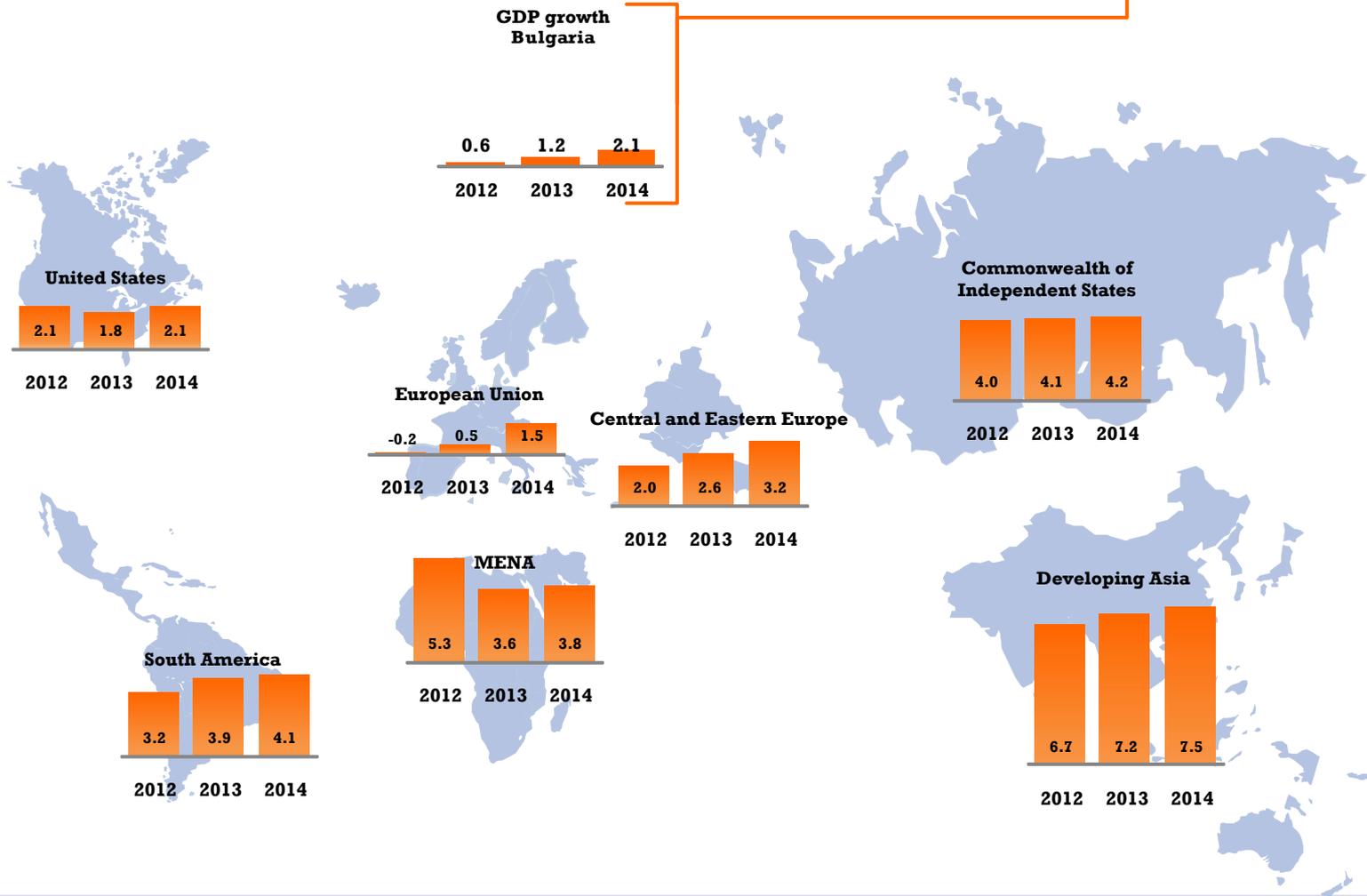
	2011	2030
Population (mln):	7.5	6.5
GDP per capita:	\$ 6,948	
Unemployment rate (avg.):	12.5%	

Other indicators

	2011	2012	2013
Competitiveness rank WEF	74	62	
Ease of doing business rank:	57	59	66
Credit rating :			
S&P	BBB		
Moody's	Baa2		
Fitch:	BBB-		

*end period

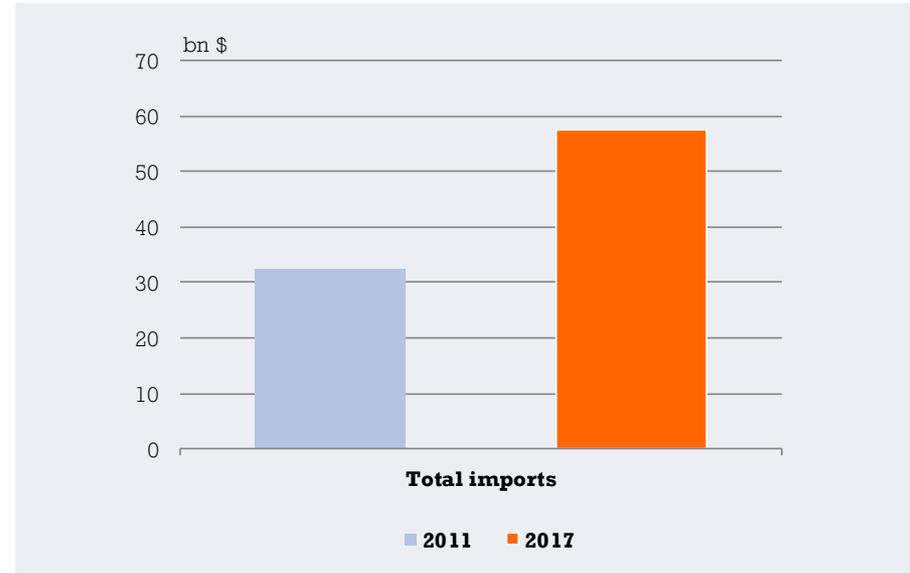
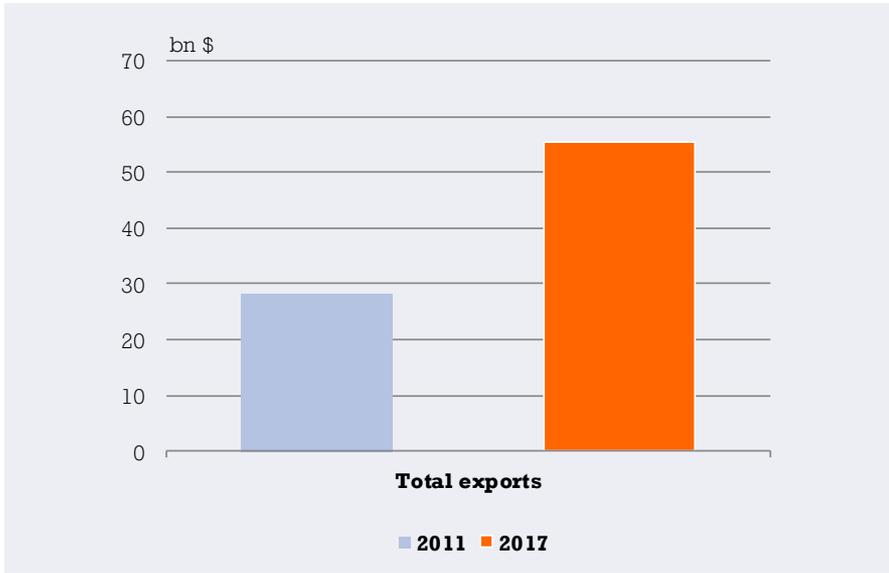
Global economic growth forecast: Bulgaria



Economic growth in the coming years will remain sluggish in developed markets. Especially the Eurozone will only experience limited growth as the region continues to struggle with the Eurocrisis. World output growth is strongly driven by emerging markets, in particular China and other developing Asian countries.

GDP growth of Bulgaria is predicted to be lower than the growth of Central Eastern Europe, with 1.2% in 2013 and 2.1% in 2014.

Trade forecast



Bulgaria

	1995	2011	2017
World ranking	50	51	51
CAGR 2012-2017	12.0%		

Bulgaria

	1995	2011	2017
World ranking	52	53	52
CAGR 2012-2017	10.0%		

In the coming years, exports (in current dollar terms) are expected to increase with 12% annually. The rank of Bulgaria in the list of largest exporters worldwide will remain the same at 51.

Demand for foreign products (imports) is also expected to increase in the next five years, with 10% annually. The rank of Bulgaria in the list of largest importers worldwide will increase to 52.

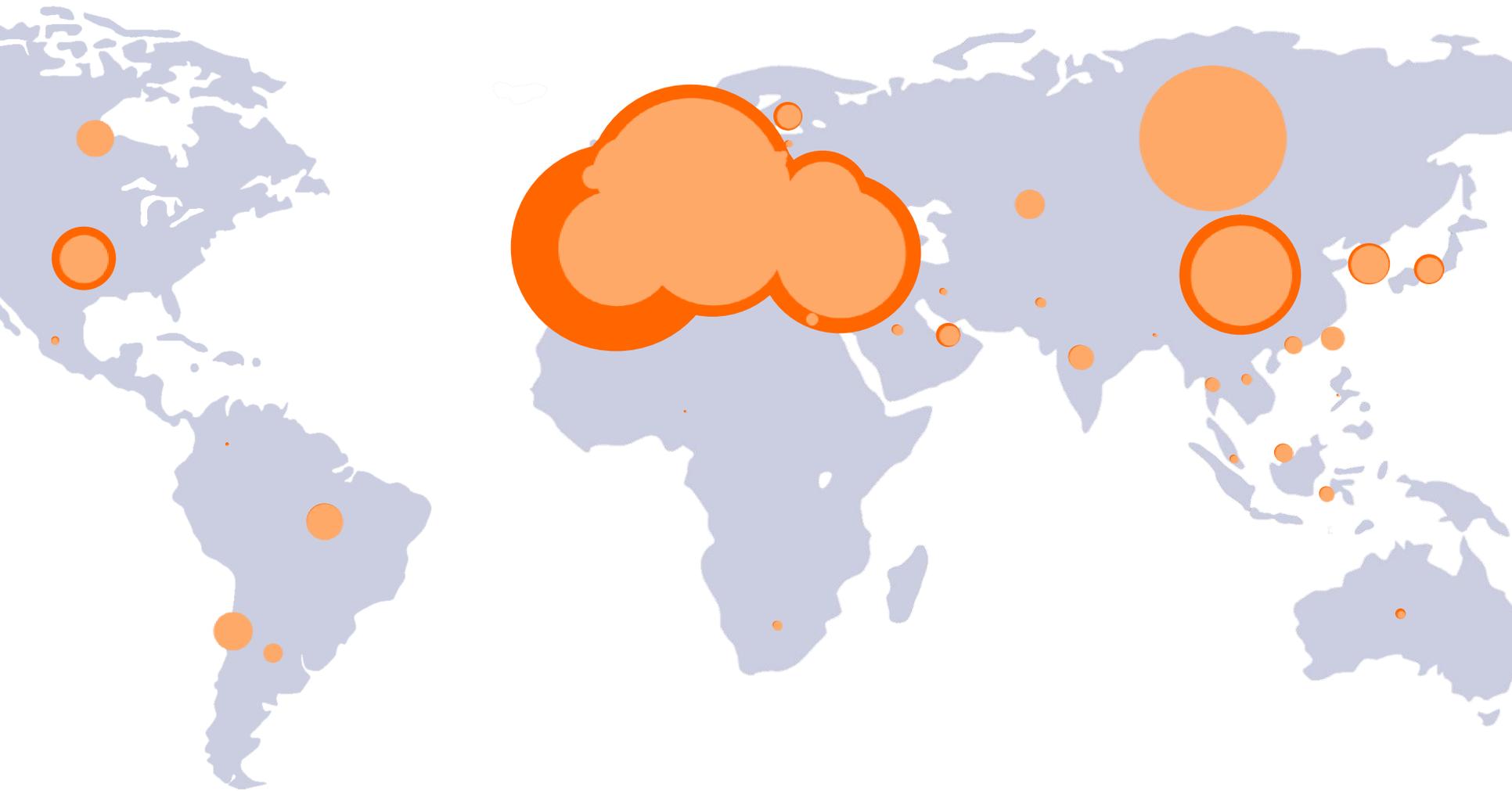
Worldwide, the top three export and import countries in 2017 will be China, United States and Germany. The countries that show the greatest *increase* in demand for imports of foreign products are Vietnam, Indonesia and Taiwan.

Bulgarian import demand

Bulgarian import origins

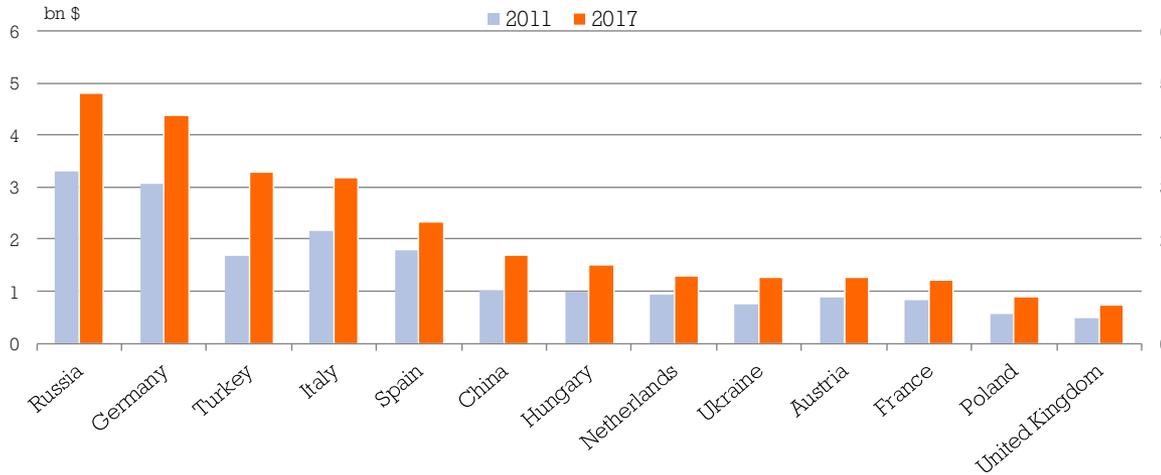
● Today (2012) ● Tomorrow (2017)

The size of the bubble represents the size of imports



Demand for products: origins of imports

Main origins of imports, 2011 and 2017*



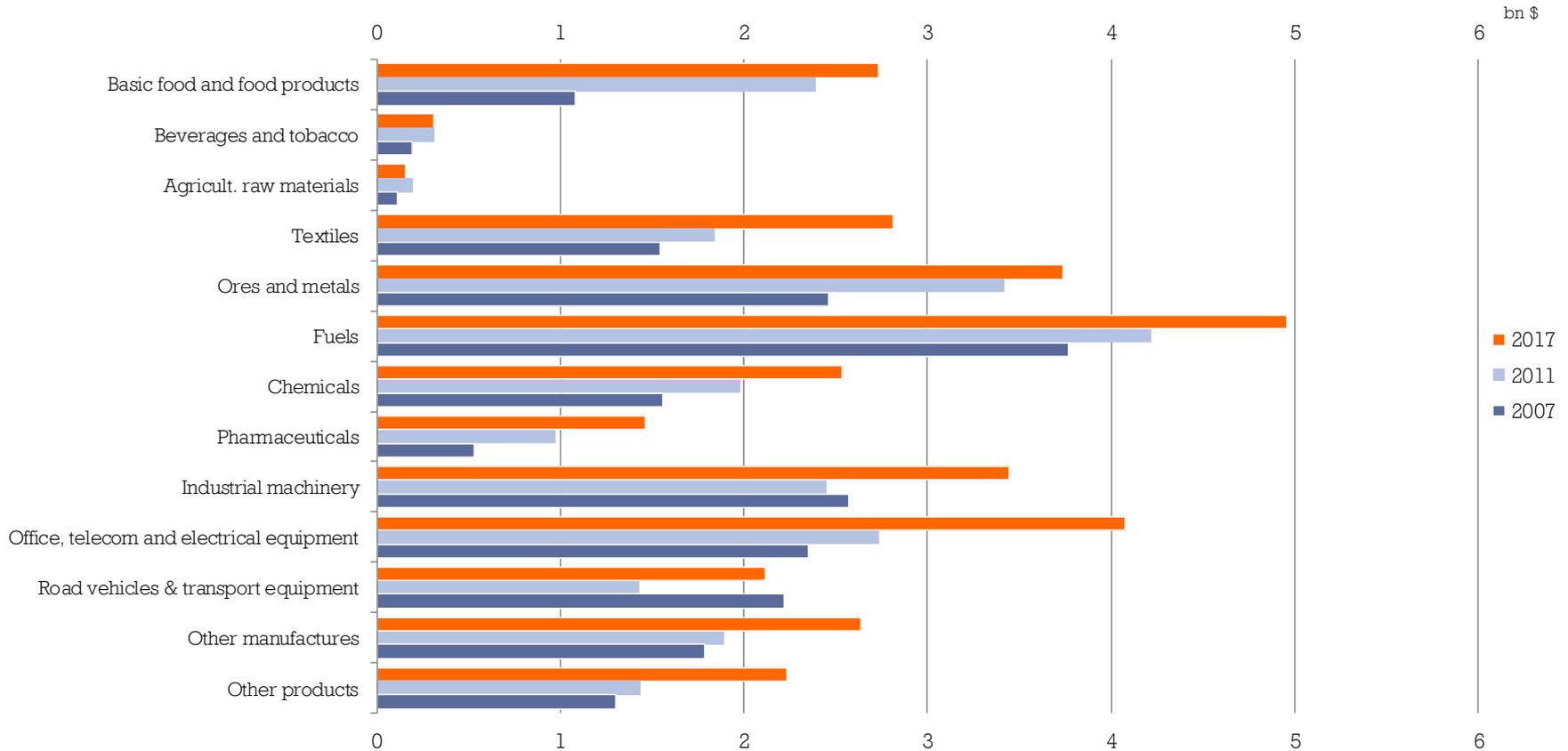
By 2017, Bulgaria will mainly import products from Russia, Germany and Turkey, which together account for 38% of total imports of Bulgaria. In volumes, the most important trade flows to Bulgaria currently include fuels from Russia, ores and metals from Spain, and industrial machinery from Germany. In the coming years, these flows are expected to change with 21%, 14% and 8% per year, respectively.

Top 10 largest import flows by product and country of origin*

Bulgaria		CAGR 2012-2017	Value 2011
Import product	Origin		mln \$
Fuels	Russia	21%	2935
Ores and metals	Spain	14%	670
Industrial machinery	Germany	8%	595
Office, telecom and electrical equipment	Germany	8%	517
Ores and metals	Ukraine	18%	480
Textiles	Italy	10%	473
Basic food and food products	Romania	0%	458
Ores and metals	Romania	0%	444
Fuels	Romania	0%	423
Textiles	Turkey	15%	385

*within the 60 countries and product flows included in the study

Demand for products: imports by product group



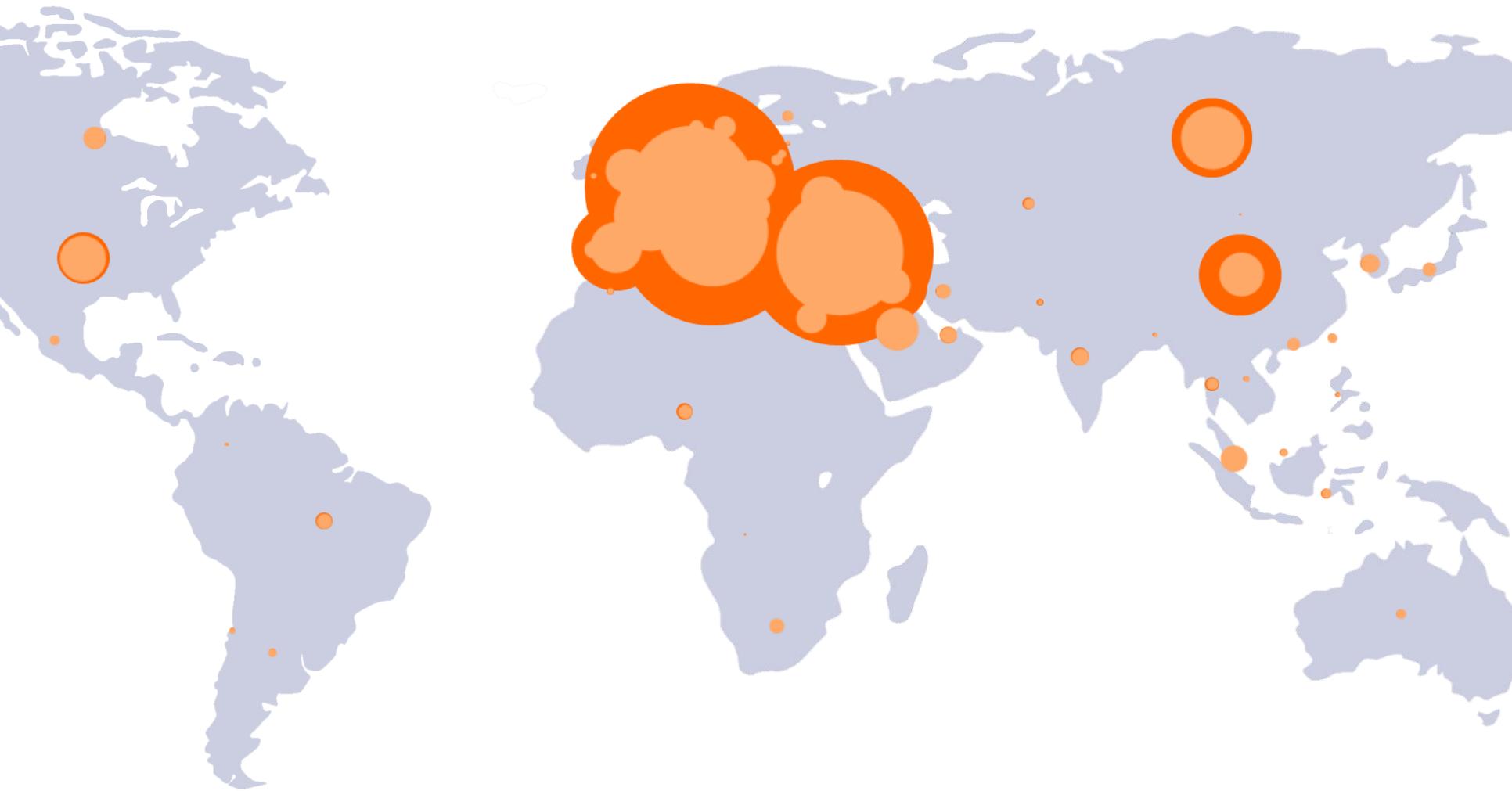
By 2017, Bulgaria will mainly import fuels, office telecom & electrical equipment and ores & metals, which together account for 38% of total imports of Bulgaria.

Where do Bulgarian products go to?

● Today (2012) ● Tomorrow (2017)

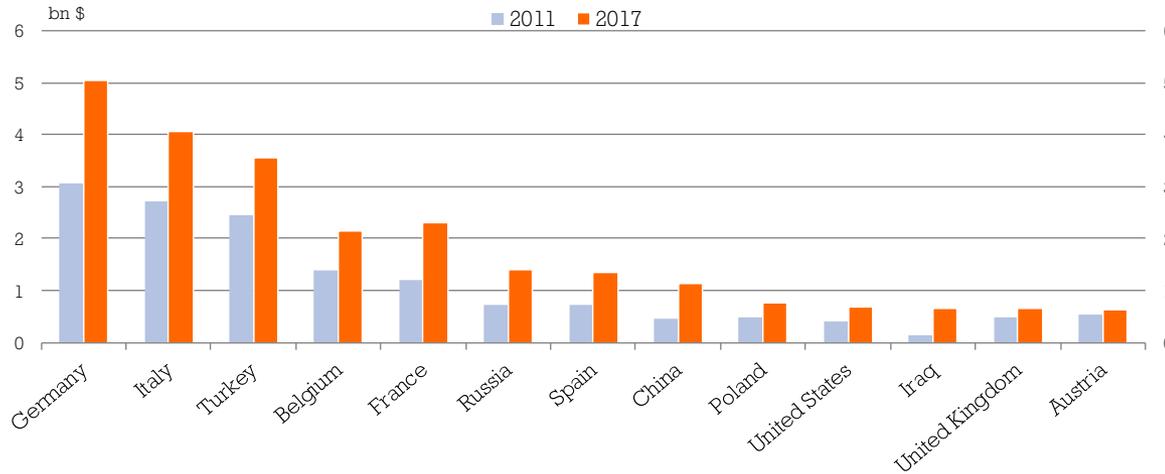
Bulgarian export markets

The size of the bubble represents the size of exports



Exports: key destination markets

Key destination markets of exports, 2011 and 2017*



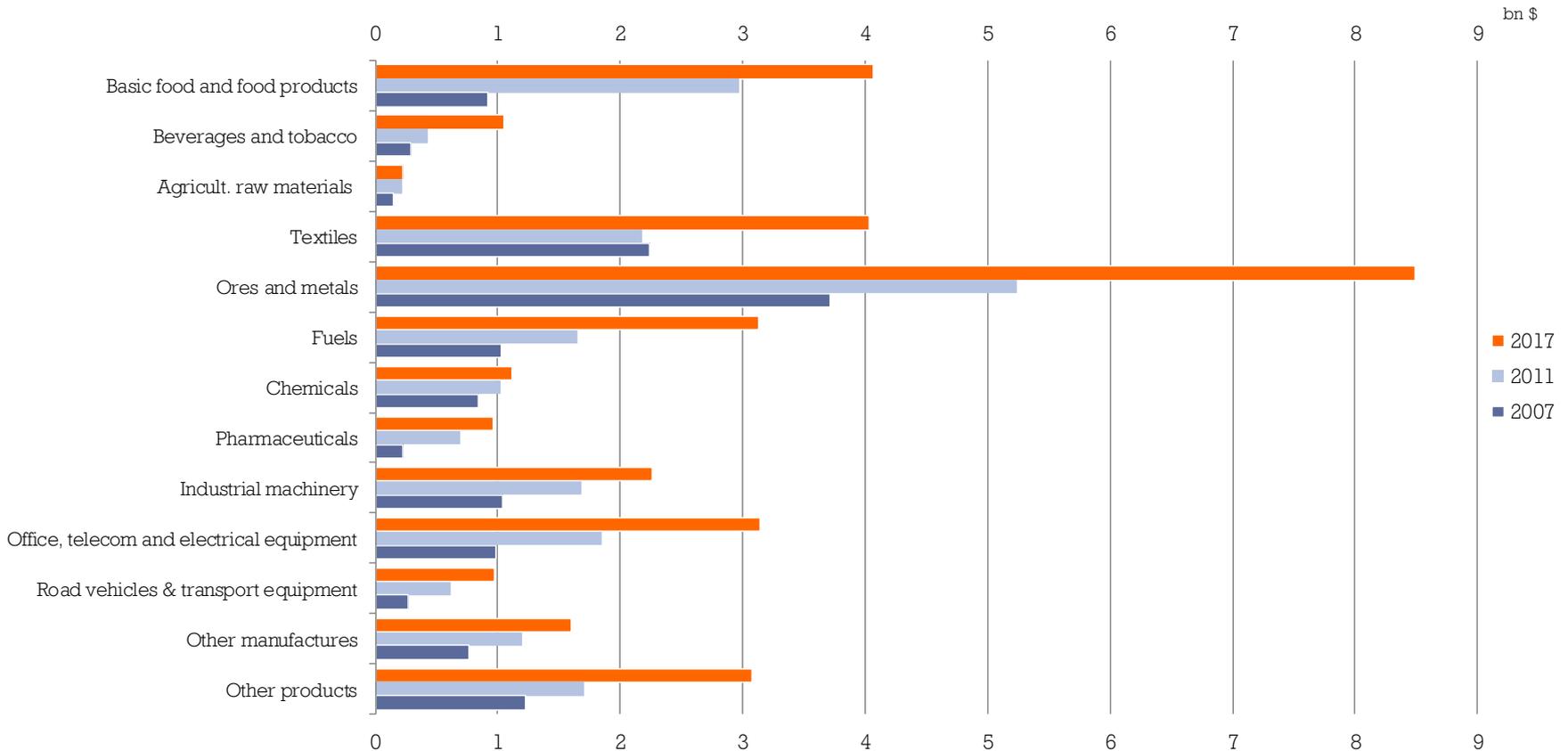
Bulgaria's main export markets will be Germany, Italy and Turkey. Together these countries will account for 51% of total exports in 2017. In volumes, the most important export flows from Bulgaria currently consist of ores and metals to Belgium, ores and metals to Turkey, and ores and metals to Germany. In the coming years, these flows are expected to change with 12%, 14% and 11% per year, respectively.

Top 10 largest export flows by product and destination country*

Bulgaria		CAGR 2012-2017	Value 2011
Export product	Export partner		mln \$
Ores and metals	Belgium	12%	932
Ores and metals	Turkey	14%	909
Ores and metals	Germany	11%	739
Basic food and food products	Romania	0%	734
Ores and metals	Italy	25%	642
Textiles	Italy	24%	586
Textiles	Germany	21%	573
Fuels	Turkey	8%	531
Ores and metals	Romania	0%	444
Other products	Italy	26%	411

*within the 60 countries and product flows included in the study

Exports: key product groups



By 2017, Bulgaria's exports will mainly consist of ores & metals, basic food and textiles (including fibers, yarn and products). Together these products will represent 51% of total exports in 2017.

Methodology and data considerations

Our forecasts are derived from an econometric model of international trade in goods among 60 countries. Trade among these countries represents 87% of world trade in goods classified by SITC excluding SITC 9.

- Data (1990-2011) for exports from and among 60 countries (forming 3600 country pairs) at the SITC(rev.3) 2-digit product classification were obtained from UNCTAD International Trade Statistics.
- These were combined with several macroeconomic variables, including GDP, GDP growth, and unit labour costs (GDP/capita) (for both the origin and destination country; source: IMF), as well as geographical distance and cultural distance between the two countries in each country pair (source: CEPII; Hofstede).
- Forecasts for macroeconomic variables (GDP, GDP growth and ULC) for the 2012-2017 period were based on our own ING forecasts.
- The trade forecasts were derived from a single equation ADL, explaining 90% of the variance in the dependent variable, specified as follows:

$$\text{LogExports}_{ijkt} = \alpha_j + \alpha_d + \beta_1 \text{LogExports}_{ijkt-1} + \beta_2 (\text{LogExports}_{ijkt-1})^2 + \beta_{3d} \text{LogExports}_{ijkt-1} \times d + \gamma X_{ijkt} + \varepsilon_{ijkt}$$

where LogExports_{ijkt} represents the logarithmic value of exports of country i to country j of product k at time t , α_j the set of partner fixed effects, α_d the set of product group fixed effects, $\text{LogExports} \times d$ the set of interactions between LogExports and the product group binary variables d , and X the set of independent variables with their vector of coefficients γ , and ε_{ijkt} the residual.

The set of independent variables (X) includes (the log of) GDP; GDP growth and ULC for the reporter (i) and partner countries (j) and the geographical and cultural distance between them.

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The final text was completed on 1 November

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